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FIRST COUNTRY COOPERATION FRAMEWORK FOR THE REPUBLIC OF PALAU (1997-2001)

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INTRODUCTION

1. The first country cooperation framework (CCF) for the Republic of Palau for the period 1997-2001 is the result of an ongoing consultative process between Government and UNDP. The process was initiated by a series of meetings, including the mid-term review of the first country programme, in which UNDP discussed with Government the changes in the programming process and areas of concentration in the coming programming period.

2. A major step in the formulation of the first CCF for Palau was the preparation of the advisory note, in which UNDP provided the Government with its views on how it might best support Palau's development efforts. While the advisory note presented the perspective of UNDP, it was nonetheless prepared in consultation with the Government and non-governmental organizations (NGOs). The advisory note took into account the outcomes of the Pacific Human Development Report and the Suva Declaration on Sustainable Human Development, the Port Vila and Cairo Declarations on Population and Development and the Copenhagen Declaration on Social Development.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

The development context

3. In October 1994, Palau achieved independence, thus becoming the Pacific's youngest nation. On 15 December 1994, Palau was admitted to the United Nations. Through the Compact of Free Association, Palau maintains a close relationship with the United States. A small country, located in the western-most group of the Caroline Islands in Micronesia, Palau is comprised of 340 islands, totalling 392 square kilometres of landmass, scattered across an Exclusive Economic Zone of 492,984 square kilometres. The islands are home to some 18,000 persons, of whom 76 per cent are ethnic Palauans, with the others mostly recent immigrants from Asia.

4. The Palau economy is primarily dependent upon three revenue sources, namely, transfer payments from the United States under the Compact of Free Association, tourism, and fisheries. Of the three, Compact funds are by far the most significant but these will gradually be reduced in the years 2001 and 2006 and be phased out in 2011.

5. Palau shares with her Pacific island neighbours important characteristics which are constraints to development, namely: fragile ecosystems; a small and relatively narrow natural resource base; reliance on declining levels of foreign assistance; an economy dominated by public sector employment and spending; a newly developing private sector; deterioration in traditional social support systems and declining rural subsistence production; adverse terms of trade; high unit costs for infrastructure and industrial development; human resource deficits, which create a demand for foreign labour even while nationals, especially the young, experience some degree of unemployment; and vulnerability to external shocks and disasters.

Sustainable human development

6. The per capita gross domestic product (GDP) of Palau, at $5,833 in 1994, was one of the highest in the region. The country also enjoys a high level of human development: on the Pacific scale, with a human development index (HDI) of 0.93 in 1991, Palau ranked second only to the Cook Islands; on the global scale, Palau's HDI of 0.84 ranked it among the high-level countries. This level of human development has been made possible by high government expenditures, funded by the Compact of Free Association. The Government is aware that the paramount challenge for Palau over the thirteen years remaining under the Compact will be to develop a sustainable economic base, which will generate domestic revenues adequate to maintain the country's current level of human development.

Population

7. Preliminary 1995 census data for Palau showed a total resident population of 17,285, of whom 76 per cent were Palauan. This represents a high annual average growth rate of 2.6 per cent since 1990 (up from 0.9 per cent in 1979). However, the growth in population of resident Palauans is negligible, reflecting low fertility and high emigration, while the number of foreign residents, 89 per cent of whom are workers and their dependants, is increasing at an annual average rate of 16 per cent.

Labour force

8. The number of new jobs in Palau has grown at 12 per cent per annum since 1990, due primarily to high levels of private sector investment, both domestic and foreign. A massive expansion in tourism is planned for the next decade, combined with an intensified public sector investment programme, funded under the Compact. These developments have the potential to double or even triple the rate of job creation, and could accelerate population growth. A growing inflow of tourists and workers with their dependants would place increasing stress on infrastructure and services, as well as on the environment and culture.

Health

9. Palauans have high life expectancy, low mortality, and a high standard of health care, constitutionally guaranteed to every citizen. As a result of improved standards of living, relatively good access to safe water, high levels of sanitation and hygiene, and high per capita health allocations, Palau has successfully brought most communicable diseases under control. A more immediate health challenge is the control of non-communicable diseases, such as hypertension, diabetes, heart conditions, and cancers. Treatment of these diseases requires educating and motivating the public to adopt a more healthy lifestyle.

Education

10. Palauans enjoy constitutionally guaranteed access to twelve years of free public education, subsidized tertiary education available locally to the associate degree level, and a wide range of public scholarship and loan

opportunities to support off-island tertiary study. Given these advantages, Palau has achieved virtual universal literacy. However, more attention needs to be given to instilling in students appropriate attitudes towards work and nation-building, and discrepancies between the supply of, and demand for skills need to be eliminated.

Poverty and deprivation

11. Palauans have wide access to land and sea resources for subsistence and cash production; 96 per cent of households produce part of their own agricultural products, and probably an equal proportion produce some of their own marine products. This, together with a caring and sharing ethic, both within the family and the wider community, provides Palauans with a social and economic safety net, which ensures that few go without the essentials for life - food, clothing, shelter. However, the Government is aware that accelerating development is beginning to restrict access to land and sea resources, erode their productivity, especially in the case of in-shore fisheries, and simultaneously, the traditional family and social support systems are beginning to weaken as a result of economic globalization and changing cultural values and that, as a result, Palau is becoming increasingly vulnerable to the emergence of poverty, with women, youth, and the elderly being most vulnerable.

Women

12. Palauan women enjoy a high social status because of the matrilineal nature of the society. Social status and inheritance follow the maternal lineage and women play pivotal roles in traditional affairs, as, for example, the appointment of chiefs. However, women's role in modern western-modelled policy formulation and decision-making is not commensurate with their traditional authority. Women, as Palau's primary food producers, are also disproportionately affected by environmental degradation and land alienation and their roles are being increasingly undermined by use of foreign farm labourers.

Environment

13. Palau has a complexity of fragile ecosystems. The National Master Development Plan, presently under final approval by Congress, identifies three sectors as critical for medium-term economic development: tourism, fisheries, and agriculture. These sectors, dependent upon exploitation of the environment and a natural resource base, are under increasing threat from lifestyle choices, large-scale development, and uneven concentration of population, particularly in Koror. Increased environmental awareness and commitment, and effective policy and regulatory frameworks are urgently required. In order to have better access to various global funds and their activities, Palau intends to become a signatory to a number of international instruments, such as the Convention on Biodiversity and the Convention on Climate Change.

Society and culture

14. Palau has a unique culture and social organization and its citizens are proud of their cultural heritage and strive to maintain their identity. However, Palauan tradition is under pressure from multiple sources, notably the

media, tourism, immigration and the cash economy. There is a perception that traditions may be an obstacle to development; the sustainable human development concept, which promotes culture as an essential medium for development, remains somewhat alien. The concepts of social and cultural sustainability will therefore need further elaboration within the context of a comprehensive sustainable human development policy.

Governance

15. The public sector has a dominant role in the Palau economy, evidenced by the sector's 65 per cent contribution to GDP. The National Master Development Plan identifies three strategies to develop government capacities: a shift in economic activity from the public to the private sector, in order to enhance productive and efficient use of resources; strengthening the efficiency and effectiveness of government institutions; and identifying financing strategies to offset declining assistance from the United States. These strategies are compatible with sustainable human development objectives and are to receive UNDP support.

II. RESULTS AND LESSONS OF PAST COOPERATION

16. Palau has benefited from United States developmental assistance and budgetary aid since the end of the Second World War. Beginning in the early 1960s, the level of aid began to increase rapidly, facilitating significant expansion of social, health, and education services and improved material standards of living. Under the Compact of Free Association, Palau is receiving $450 million in aid, adjusted for inflation, over a period of fifteen years, albeit at gradually diminishing levels. A full member of the South Pacific Commission since 1993 and the Pacific Forum since 1995, Palau is also a member of the Forum Fisheries Agency. In anticipation of independence, Palau participated in a number of United Nations programmes for nearly a decade, notably programmes sponsored by UNDP, the World Health Organization (WHO), the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF), and the Economic and Social Commission for Asia and the Pacific (ESCAP). UNDP has collaborated closely with other members of the Joint Consultative Group on Programming in Palau, namely, UNICEF and UNFPA.

The role of UNDP

17. Two projects were mounted under the first country programme (1992-1996): the National Master Development Plan, and family food production and nutrition. The former was successful in providing upstream policy advice on key development issues, effective advocacy for sustainable human development, good governance, and enhanced national planning capacities. The latter increased the training and community mobilization capacities of the Palau Community Action Agency, developed the training capacities of a network of community-based mobilizers, and strengthened community women's groups and youth organizations.

III. PROPOSED PROGRAMME STRATEGY AND THEMATIC AREAS

18. The overall strategy for UNDP should therefore be to assist the Government in preventing the erosion of quality of life in Palau, and enhancing national capacity to formulate, manage and implement policies and programmes in support of sustainable human development. UNDP will achieve this through establishing close partnerships in the country, promoting popular participation in development, particularly that of women, building capacity for aid coordination and management, maximizing linkages between the country and subregional programmes, enhancing inter-agency collaboration and UNDP advocacy and resource mobilization efforts.

19. UNDP resources will be targeted towards job creation and sustainable livelihoods, with priority given to the informal sector. This area of concentration will be supplemented by subregional programme activities.

20. Given Palau's fragile ecosystems, UNDP will also target assistance towards preserving and protecting the natural resources of Palau.

Informal employment and sustainable livelihoods

21. Effective UNDP partnership will comprise a combination of upstream policy and downstream practical interventions, all of a catalytic nature, to revitalize the rural semi-subsistence sector within the context of the national Informal Employment and Sustainable Livelihood Initiative. This initiative evolved out of the work of the Palau Community Action Agency and the Rural Working Group, and has since received endorsement at the highest policy levels of the national Government and state administrations. This will ensure that UNDP resources have a direct impact on the well-being of Palau's most vulnerable groups, enhancing UNDP advocacy and resource mobilization efforts, and improving prospects for government cost-sharing. Other key sustainable human development and employment-related initiatives will be addressed through subregional or other programme resources.

Environmental protection

22. The sectors of Palau identified for development in the medium term are tourism, fisheries and agriculture, all of which depend heavily upon the exploitation of the country's natural resource base, and the environment. During the coming programming period, UNDP will provide support to Palau's objectives to become a signatory to a number of international instruments on environment, to develop more sustainable practices in the use of natural resources, and to enhance the capacity for more balanced development planning. To help Palau achieve these objectives, UNDP will work closely with Government, civil society and other donors to ensure complementarity of efforts.

Subregional programme activities

23. The coming UNDP subregional programme for the Pacific will consist of four programmes: development management; private sector development; environment and natural resources; and human resource development. All these components are relevant to the Government's Informal Employment and Sustainable Livelihood

initiative and the focus of the CCF on the environment, as well as to the broader national sustainable human development policy framework. Specific linkages between the subregional programmes and the first CCF for Palau will be identified during the formulation of the programmes.

24. Palau benefits also from UNDP resources under the South Pacific Biodiversity Conservation Programme (RAS/91/G31). UNDP will assist Palau to tap into additional resources through the Capacity 21 Initiative, in support of a strengthened environmental component within the Informal Employment and Sustainable Livelihood initiative, and in support of the Government's broader environmental protection strategy. Palau can also benefit from Poverty Alleviation resources to enable the Government to expand the poverty analysis contained within the sustainable human development Situation Analysis and to formulate an operational definition of "poverty" in Palau. Given the resources available to Palau, UNDP will make a special effort to identify and mobilize other sources of funds to complement and extend the Informal Employment and Sustainable Livelihood programme and the sustainable human development initiative, including government cost-sharing.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation arrangements

25. During the first country programme, the Family Food Production and Nutrition project was nationally executed. With capacity already established, the Informal Employment and Sustainable Livelihood programme will also be nationally executed. In view of the successful cooperation between the Government and NGOs, implementation of the new programme for informal employment may be extended also to the civil society. There will be an emphasis on the employment of United Nations Volunteers (UNV) specialists, building on their good performance in the Pacific area. Although Palau has had no experience with Technical Cooperation among Developing Countries (TCDC) or Transfer of Knowledge through Expatriate Nationals (TOKTEN), efforts will be made to utilize these two modalities to the extent possible. Further, given the cross-cutting nature of the Informal Employment and Sustainable Livelihood programme, collaboration with other United Nations agencies, particularly UNFPA, UNICEF and the International Labour Organization (ILO) will be enhanced, building on the experience of the Family Food Production and Nutrition project.

Monitoring and review

26. During the coming programming period, UNDP will place greater emphasis on impact-based assessments. Baseline surveys will be utilized to collect information where this does not exist, and both qualitative and quantitative indicators will be developed to establish benchmarks against which project performance will be assessed. The CCF will be monitored jointly by the Government and UNDP and through monitoring visits to Palau by UNDP staff at least twice a year. All ongoing projects will be reviewed in the country every year and a triennial review of the CCF will be carried out to evaluate the programme.

Aid coordination

27. UNDP will work more closely with Government and other donors during the coming programming period to enhance capacity for effective aid coordination, and will assist in putting in place the mechanisms and processes required to achieve this objective.

Resource mobilization

28. Targets for the Palau programme, projected over the next five years are shown in the annex.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR THE REPUBLIC OF PALAU
(1997-2001)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	1 037	
TRAC 1.1.1	100	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3		
Other resources		
SPPD/STS	80	
Subtotal	1 217[a]	
NON-CORE FUNDS		
Government cost-sharing	110	
Sustainable development funds		
Third-party cost-sharing	110	
Funds, trust funds and other		
Subtotal	220	
GRAND TOTAL	1 437[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.